



ACA BROKER-DEALER NEWSLETTER

“Our accomplishments are founded on commitment to excellence across our regulatory responsibilities. While change is never easy, I know that you will remain focused on the work that FINRA does every day and for which the investing public has put its trust in you.”

– Richard Ketchum, FINRA’s Chairman and CEO
October 30, 2015

Broker-Dealer Compliance Reminders

To close out each year, we like to provide a list of compliance reminders in our final Broker-Dealer Newsletter. As 2015 comes to an end, here are some important regulatory deadlines that Compliance Officers should ensure they have on their compliance calendars:

<p>Annual Compliance Reviews (FINRA Rules 3110(c) and 3120(a)(1))</p>	<p>At least annually, Financial Industry Regulatory Authority (“FINRA”) member broker-dealers must conduct a compliance review of their business activities and test their supervisory controls. In addition, they must prepare an annual report for the board of directors and/or audit committee detailing the results of this review and testing and complete the Chief Executive Officer (“CEO”) Certification and CEO/Chief Compliance Officer (“CCO”) meeting described below.</p>
<p>CEO Certification (FINRA Rule 3130)</p>	<p>Broker-dealer CEOs must certify each year that their firms have processes in place to establish, maintain, review, test, and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable rules and laws. This certification must be completed on or prior to the anniversary date of the previous year’s certification. The regulatory expectation is that the certification’s execution date will fall within 45 days of submitting the annual report to management.</p>

INSIDE THIS ISSUE ◀

- Broker-Dealer Compliance Reminders 1
- Did You Know? 3
- Upcoming Events 4
- Regulatory Notices, Updates, and Rule Changes 4
- Important Dates 6

CEO/CCO Annual Meeting (FINRA Rule 3130)	Rule 3130 also requires broker-dealer CEOs and CCOs to meet at least once each year to (i) discuss and review the matters set out in the annual compliance review report and CEO certification, (ii) discuss and review their firm’s compliance efforts as of the date of such meetings, and (iii) identify and address significant compliance problems and plans for emerging business areas. These meetings should also be documented.
Anti-Money Laundering Independent Testing (FINRA Rule 3310(c))	Each broker-dealer’s anti-money laundering program must provide for an annual (on a calendar-year basis) independent test. There is an exception to the annual requirement for firms that do not execute transactions for customers, or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (i.e., the member engages solely in <i>proprietary trading</i> or <i>conducts business only with other broker-dealers</i>). Firms that do not require annual testing must test every two years.
FINRA Renewal Program	A review of the firm’s registration, as well as reviews of the registrations of its registered representative and its branch offices, should be conducted during renewal time to ensure compliance with state and FINRA registration requirements. Note that firms are able to submit post-dated Forms U5, Forms BDW, and Form BR amendments. All post-dated forms must be dated December 31, 2015.
Annual Compliance Meeting (FINRA Rule 3110(a)(7))	Broker-dealers must conduct an annual meeting or interview with all of their registered representatives and principals each year. In addition, they must maintain evidence of attendance for these individuals.
FINRA Entitlement Certifications	Each year, FINRA identifies a 30-day period during which the Super Account Administrators of the broker-dealer must certify their current WebCRD users’ access.
FINRA Contact System (“FCS”) Update (FINRA Rule 4517)	Firms must verify the completeness and accuracy of the FCS contact information no later than 17 business days after the end of each calendar year.
Supplemental Statement of Income (“SSOI”) (FINRA Rule 4524)	Each firm must file an SSOI within 20 business days of the end of each calendar quarter, which falls three days after the FOCUS report due date. The required filing date for the quarter ending December 31, 2015, will be January 30, 2015.
Annual Audit (Exchange Act Rule 17a-5)	Each firm must file an SSOI within 20 business days of the end of each calendar quarter, which falls three days after the FOCUS report due date. The required filing date for the quarter ending December 31, 2015, will be January 30, 2015.
Statement Regarding Independent Public Accountant under Exchange Act Rule 17a-5(f)(2) Notification (Exchange Act Rule 17a-5(f)(2))	Firms are required to file the <i>Statement Regarding Independent Public Accountant</i> notice in hard copy with the SEC’s headquarters in Washington, DC, the firm’s regional SEC office, and electronically through FINRA’s Gateway on or before the 10th day of the month in which their fiscal year ends. If a firm submitted the notification in 2014 and the firm maintains a continuing engagement with the same accountant, filing the notice is not required. However, if the engagement letter with the Accountant is solely for a single year, the notification must be resubmitted each year.
Annual Privacy Notice (Regulation S-P and Regulation S-AM)	Each firm subject to Regulation S-P must distribute privacy notifications to its customers and consumers when accounts are opened and annually thereafter. Firms that share information with an affiliate for marketing purposes must distribute opt-out notices to prospects and customers.

Fidelity Bond Review (FINRA Rule 4360)	Firms must review the adequacy of their fidelity bond coverage each year as of the anniversary date of the issuance of the bond. Documentation of the review must be maintained on file.
Direct Market Access (Exchange Act Rule 15c3-5)	Broker-dealers that provide customers with direct market access or have direct market access must review their market access business activity and controls annually. Each firm's CEO (or an equivalent officer) must also certify that the firm's risk management controls and supervisory procedures comply with Rule 15c3-5.
Branch Office Inspections (FINRA Rule 3110(c)(1))	Broker-dealers must maintain an office location inspection schedule as part of their books-and-records requirements. The inspection schedule should be reviewed annually at a minimum, both for accuracy and the completion of scheduled inspections. Additionally, documentation of the branch office inspections must be maintained on file.
Outsourcing Arrangements (Regulatory Notice 11-14)	As part of their supervisory procedures, firms must assess the performance of current and prospective third-party service providers. These reviews can be evaluated as part of the annual FINRA Rule 3120 supervisory control system testing.
Cybersecurity Risk Assessment	In recent years, regulators have been focusing on the types of procedures and controls that firms have established with respect to cybersecurity. ¹ It is recommended that at least on an annual basis firms conduct a cybersecurity risk assessment.

If you have questions or would like more information on these requirements, please follow the links provided above and/or contact your ACA consultant or [Dee Stafford](#)

¹ FINRA Report on Cybersecurity Practices https://www.finra.org/sites/default/files/p602363%20Report%20on%20Cybersecurity%20Practices_0.pdf
OCIE's 2015 Cybersecurity Examination Initiative <https://www.sec.gov/ocie/announcement/ocie-2015-cybersecurity-examination-initiative.pdf>
SEC Cybersecurity Guidance <http://www.sec.gov/investment/im-guidance-2015-02.pdf>

Did You Know...

Mandatory Participation in Business Continuity and Disaster Recovery Testing

On November 3, 2015, the Municipal Securities Review Board ("MSRB") filed with the SEC new MSRB Rule A-18 to require certain entities regulated by the MSRB to participate in its business continuity and disaster recovery plan testing under [Regulation SCI](#). The rule was effective immediately.

On the same day, FINRA adopted new [Rule 4380](#), related to the same type of mandatory firm participation in business continuity and disaster recovery testing. The new rule authorizes FINRA to use established criteria to designate firms that must participate in FINRA's business continuity and disaster recovery testing under Regulation SCI. The testing will be conducted once per year. Both rules are described in detail in [FINRA Regulatory Notice 15-43](#) and [MSRB Regulatory Notice 2015-20](#), respectively.

In Case You Missed It...

FINRA Announced its New Electronic Subordinated Loans System

On November 2, 2015, FINRA published [Regulatory Notice 15-42](#), in which it announced its new electronic platform for the submission of subordinated loan requests.

FINRA stated that effective November 30, 2015, the new electronic platform will be hosted on the Firm Gateway where firms will be able to submit all new requests for approval of proposed subordinated loan agreements and secured demand note agreements, as well as renewals of any existing agreements. FINRA reminded firms that as of November 30, 2015, all new requests must be submitted in electronic form through the Firm Gateway, and that FINRA will no longer accept new requests that are submitted in hard copy format.

New Advertising Regulation Electronic Files Platform

FINRA announced that effective September 28, 2015, it has migrated the Advertising Regulation Electronic Files (“AREF”) system to a new platform that allows firms to submit advertising-related files using a wide variety of formats. The system also allows firms to submit larger files.

The enhanced AREF system now allows firms to

- submit audio and video files in formats such as mp4, wmv and wav, as well as files in MS Office formats such as Excel and PowerPoint, rather than limiting submissions to PDF files only;
- submit file sizes up to 500MB, as opposed to the previous 50MB limit;
- save filings in draft status prior to submission to FINRA;
- upload more than two supporting documents on an initial filing; and
- perform improved searches and filtering functions on filings submitted.

FINRA notes that the use of the system is voluntary. FINRA will continue to send comment letters by mail unless firms choose to receive electronic copies only.

ACA Events

ACA Annual Conferences

[Spring 2016 Compliance Conference](#)

May 4-6 – Boca Raton Resort & Club, Boca Raton, FL

[Fall 2016 Compliance Conference](#)

October 26-28 – Ritz Carlton, Marina del Rey, CA

FINRA Conferences

[2015 South Region Compliance Seminar](#)

December 2-3, 2015 – New Orleans, LA

[2016 FINRA Cybersecurity Conference](#)

February 11, 2016 – New York, NY

[2016 FINRA Annual Conference](#)

May 23-25, 2016 – Washington, DC

Regulatory Notices, Updates, and Rule Changes

FINRA
2015

Regulatory Notice 15-43

[FINRA Files Rule with SEC for Authority to Designate Firms for Mandatory Participation in FINRA’s Business Continuity/Disaster Recovery Testing, As Required by Regulation SCI](#)

Regulatory Notice 15-42

[FINRA to Require Electronic Submission of Subordination Approval Requests](#)

Regulatory Notice 15-41

[SEC Approves Amendments to Require Firms to Report Transactions in TRACE-Eligible Securities As Soon As Practicable](#)

Regulatory Notice 15-40

[Broker-Dealer, Investment Adviser Firm, Agent and Investment Adviser Representative, and Branch Renewals for 2016](#)

Regulatory Notice 15-39

[FINRA Revises the Series 27 and Series 28 Examination Programs](#)

Regulatory Notice 15-38

[Securities Industry/Regulatory Council on Continuing Education Issues Firm Element Advisory Update](#)

Regulatory Notice 15-37

[FINRA Requests Comment on Rules Relating to Financial Exploitation of Seniors and Other Vulnerable Adults](#)

Regulatory Notice 15-36

[FINRA Requests Comment on a Revised Proposal Requiring Confirmation Disclosure of Pricing Information in Corporate and Agency Debt Securities Transactions](#)

Regulatory Notice 15-35

[SEC Approves Amendments to FINRA Rules Regarding Temporary and Permanent Cease and Desist Orders](#)

Regulatory Notice 15-34

[SEC Approves Rule Governing Sales of Securities on Military Installations to Members of the U.S. Armed Forces or Their Dependents](#)

Regulatory Notice 15-33

[Guidance on Liquidity Risk Management Practices](#)

**MSRB
2015****2015-20**

[MSRB Adopts Rule Requiring Participation in Business Continuity and Disaster Recovery Testing](#)

2015-19

[MSRB Extends Comment Deadline on Confirmation Disclosure Proposal](#)

2015-18

[Request for Comment on Draft Amendments to MSRB Rule A-3 to Lengthen the Term of Board Member Service](#)

2015-17

[MSRB Amends its Continuing Education Requirements to Facilitate Web-based Delivery of Regulatory Element Training](#)

2015-16

[Request for Comment on Draft Rule Amendments to Require Confirmation Disclosure of Markups for Specified Principal Transactions with Retail Customers](#)

**FINCEN
2015**

[FinCEN Renews Geographic Targeting Order \(GTO\) Requiring Enhanced Reporting and Recordkeeping for Electronics Exporters Near Miami, Florida \(10/23/2015\)](#)

[FinCEN Reaches \\$8 Million Settlement with Caesars Palace for Lax Anti-Money Laundering Controls on High Rollers \(09/08/2015\)](#)

Important Dates

2015 Annual Audit Reports

<i>Fiscal Year</i>	<i>Due Date</i>
October 31, 2015	December 30, 2015
November 30, 2015	January 29, 2016
December 31, 2015	February 29, 2016

2015 Quarterly FOCUS Part II/IIA Filings

<i>Quarter Ending</i>	<i>Due Date</i>
December 31, 2015	January 27, 2016

2015 Monthly/Fifth FOCUS Part II/IIA Filings

<i>Period Ending</i>	<i>Due Date</i>
November 30, 2015	December 23, 2015

SSOI Filings

<i>Quarter Ending</i>	<i>Due Date</i>
December 31, 2015	February 1, 2016

Annual Schedule I Filings

<i>Period</i>	<i>Due Date</i>
2015	January 27, 2016

Supplemental Inventory Schedule (SIS)

<i>Quarter Ending</i>	<i>Due Date</i>
November 30, 2015	December 29, 2015
December 31, 2015	February 1, 2016

Form Custody Filings

<i>Quarter Ending</i>	<i>Due Date</i>
December 31, 2015	January 27, 2016

2015 4530/Customer Complaint Filings

<i>Quarter Ending</i>	<i>Due Date</i>
Fourth Quarter 2015	January 15, 2016

2015 Short Interest Reporting Deadlines

<i>Settlement Date</i>	<i>Due Date</i>	<i>Exchange Receipt Date</i>
Fourth Quarter 2015		January 15, 2016
Fourth Quarter 2015		January 15, 2016
Fourth Quarter 2015		January 15, 2016



acacompliancegroup.com

ACA Compliance Group's Broker-Dealer Services Division provides assistance to compliance programs to meet regulatory requirements. ACA's services include compliance program development, trading reviews, conflicts of management analysis, corrective action assessments, supervisory control and anti-money laundering testing, assistance with written supervisory procedures, initial and continuing help with membership applications, and customized regulatory and compliance consulting.

Please contact **Dee Stafford** at (310) 322-8840 or dstafford@acacompliancegroup.com to learn how ACA provides initial and ongoing assistance that helps firms meet compliance requirements consistently.